

DWIGHT B. PALMER, JR., OF COUNSEL
(312) 357-1505

DWIGHTPALMER@SBCGLOBAL.NET

June 27, 2012

Via U.S. Mail

Continental Casualty Company
Attn: Claims Reporting
P.O. Box 8317
Chicago, IL 60680-8317

Dear Sir or Madam,

We have been retained by the Trustee of the chapter 7 bankruptcy estate of D/C Distribution, LLC ("Debtor") as counsel to pursue insurance recovery for asbestos bodily injury claims made against the Debtor.

The Debtor (f/k/a D/C Distribution Corp., Amfac Distribution Corp. and WDS, Inc.) was a subsidiary of Amfac, Inc. at least for the period 1970-1995. We understand that Continental Casualty Insurance Company issued liability policies insuring Amfac, Inc., and its subsidiaries, including Debtor, for at least the period 1.1.73-7.1.79 (policy numbers RDX 8941674, RDX 1421035, RDX 1421036, RDX 1788125, RDX 1782969 and RDX 1782993). Documentation evidencing insurance issued by your company is attached.

Please confirm your insurance limits remaining for all policies insuring Amfac, Inc. and its subsidiaries, and any policies issued to Debtor in its own name. Please let us know how you would like us to proceed with presenting asbestos claims for payment.

If all insurance limits have been exhausted by payment of claims, please provide a sworn statement verifying payment, including an itemization of the claims paid, the dates paid, a description of each claim paid, the total amount of your limits paid, and the date of exhaustion of your limits.

Thank you for your attention to this matter.

Very truly yours,
FRANK/GECKER LLP,



By: Dwight B. Palmer, Jr.,
Of Counsel to the Firm.

DBP:ecp
cc: Joseph D. Frank, Esq.

INSURANCE SCHEDULE

TYPE OF POLICY: EXCESS LIABILITY AND WORKMEN'S COMPENSATION

INSURANCE COMPANY: I - HIGHLANDS INSURANCE COMPANY
II - CONTINENTAL CASUALTY
III - INSURANCE COMPANY OF NORTH AMERICA

POLICY NUMBER: I - HU 10 12 17 /
II - RDX 8941674
III - XCP 11710

EFFECTIVE DATE: 1/1/73 - 7/1/76

POLICY LIMITS: I - \$5,000,000
II - \$15,000,000
III - \$5,000,000

DEDUCTIBLE: \$25,000 - liability
\$1,000,000 - workmen's compensation

PREMIUM: Based on payroll and loss experience

COVERAGE PROVIDED: These three policies provide excess liability coverage up to \$25,000,000 over the self retained amount of \$25,000.

These policies also provide excess workmen's compensation coverage over the \$50,000 self retention and the \$1,000,000 Continental Casualty policy.

F

CONFIDENTIAL SETTLEMENT AGREEMENT AND POLICY RELEASE

This Confidential Settlement Agreement and Policy Release (the "**Agreement**") is made by and between Royal Indemnity Company, as successor by merger to American & Foreign Insurance Company ("**Royal**," as further defined below) on the one hand, and D/C Distribution, LLC, an Illinois limited liability company, successor by merger to D/C Distribution Corporation, a California Corporation ("**D/C Distribution**," as further defined below) on the other hand (collectively referred to as the "**Parties**"), and is deemed effective on the date that it is signed by both **Parties**.

RECITALS:

WHEREAS, **Royal** is alleged to have issued general liability insurance policy, Policy No. AYA 898346, to Moran Supply; and

WHEREAS, **D/C Distribution** alleges that it has incurred and may incur in the future certain liabilities, expenses and losses arising out of **Claims** (as defined below) and alleges that such liabilities, expenses and losses are covered by Policy No. AYA 898346; and

WHEREAS, **Royal** disputes the existence of Policy No. AYA 898346 and the **Parties** dispute whether Policy No. AYA 898346 affords coverage to **D/C Distribution** for the **Claims**; and

WHEREAS, **Royal** has filed a lawsuit against **D/C Distribution** as successor to Moran Supply, seeking declaratory relief and other relief arising from disputed insurance coverage for certain **Claims** of damages or injuries allegedly arising out of exposure to asbestos-containing products, captioned "*Royal Indemnity Co. v. D/C Distribution*" (San Francisco Superior Court Case No. CGC-04-433669) (the "Coverage Litigation"), and **D/C Distribution** has asserted cross-claims against **Royal** in the Coverage Litigation; and

WHEREAS, by this **Agreement**, and subject to Section 15 below, **Royal** and **D/C Distribution** intend to fully, completely and permanently resolve all existing and potential disputes relating to, arising from or connected with all **Claims** under the **Insurance Policies** (as defined below), in order to fully, completely and unconditionally extinguish, terminate, discharge and release the **Insurance Policies**.

AGREEMENTS:

NOW, THEREFORE, in full consideration of the foregoing and of the mutual agreements herein contained, and intending to be legally bound, the **Parties** agree as follows:

1. Purpose and Scope

The purpose of this **Agreement** is to resolve all past, present and future disputes and liabilities that have arisen or may arise between the **Parties** under the **Insurance Policies** in connection with all **Claims**, and to fully, completely and unconditionally extinguish, terminate, discharge and release the **Insurance Policies**, subject to Section 15 of this **Agreement**.

2. Definitions

The following definitions will apply to the listed terms wherever those terms appear throughout this **Agreement**, as well as in any exhibits or attachments to it. Each defined term stated in a singular form shall include the plural form, and each defined term stated in plural form shall include the singular form.

A. D/C Distribution

The term "**D/C Distribution**" shall mean:

(i) D/C Distribution LLC, an Illinois limited liability company, successor by merger to Moran Supply; their predecessors and successors; all of their past, present and future parents, subsidiaries, affiliates, joint ventures, assigns, employees, officers, directors, principals, shareholders, divisions, agents and representatives; and

(ii) Any other entity that was or is affiliated with, related to or associated with **D/C Distribution** as of the date of this **Agreement**, including any entities that have been acquired by, merged into or combined with **D/C Distribution** or any of its predecessors, subsidiaries, affiliates, successors and assigns.

B. Royal

The term "**Royal**" shall mean:

(i) Arrowpoint Capital Corp. (formerly Royal & SunAlliance US), and Royal Indemnity Company, as successor in interest via merger with American & Foreign Insurance Company, both Delaware corporations, their predecessors and successors; all of their past, present and future U.S.-based parents, subsidiaries, affiliates, joint ventures, assigns, employees, officers, directors, principals, shareholders, divisions, agents and representatives; and

(ii) Any other entity that is affiliated with, related to or associated with **Royal** as of the date of this **Agreement**, including any corporations that have been acquired by, merged into or combined with **Royal** or its predecessors, or **Royal's** subsidiaries, affiliates, successors and assigns.

C. Person

"**Person**" shall mean an individual, a corporation, a partnership, an association, a trust, any other entity or organization, and any federal, state or local government or any governmental or quasi-governmental body or political subdivision or any agency, department, board or instrumentality thereof.

D. Insurance Policies

"Insurance Policies" shall mean:

- (i) Policy No. AYA 898346, allegedly issued to Moran Supply covering the period 8/1/75 – 8/1/76; and
- (ii) any other general liability insurance policies actually or allegedly issued by **Royal** which provide or allegedly provided coverage to **D/C Distribution** as successor to Moran Supply.

E. Effective Date

"Effective Date" means the latter date of execution of this **Agreement** by either **Royal** or **D/C Distribution**.

F. Claims

"Claims" means the assertion of any right, including but not limited to, any known or unknown, suspected or unsuspected, past, existing, potential, or future **Claim**, suit, complaint, allegation or action, of any kind or nature, whether legal or equitable, whether arising out of alleged breach or contract or bad faith, conspiracy or extra-contractual liability, any cause of action, chose in action, right, liability, obligation, cost, expense, fee, demand, or request for relief or action or forbearance of any kind, nature, or description, counterclaim, cross-claim, bill, account, reckoning, right of indemnity, right of subrogation, damage, judgment, compensation, contribution, set-off, reimbursement, restitution, loss, exposure, lien, duty, sum, injunctive relief, exoneration, covenant, contract, controversy, promise, act, omission, trespass, variance, execution, writ, inquiry, fine, penalty, decree, settlement, administrative proceeding, governmental action or attorneys' fees.

3. Settlement Amount

Royal shall pay to **D/C Distribution** the amount of One Million, Six Hundred Eighteen Thousand Dollars (\$1,618,000.00) (hereinafter **"Settlement Amount"**) within fifteen (15) days after the **Effective Date**. Payment shall be made by wire transfer to one or more accounts as specified by **D/C Distribution**.

4. Dismissal of the Coverage Litigation

Within ten (10) days after the **Effective Date**, **Royal** shall dismiss, with prejudice, and subject to the terms of this Agreement, all of its **Claims** in the Coverage Litigation against **D/C Distribution**. Within ten (10) days after the **Effective Date**, **D/C Distribution** shall dismiss, with prejudice, and subject to the terms of this Agreement, all of its **Claims** in the Coverage Litigation against **Royal**.

5. Agreement Not To Sue

Except as specifically provided in Section 15 below, **D/C Distribution** agrees that it will never again make any **Claim** under the **Insurance Policies** and that it will no longer

pursue any **Claims** previously presented to **Royal** under the **Insurance Policies**.

6. Releases

A. Upon **Royal**'s payment of the Settlement Amount and in consideration of the mutual covenants, promises, warranties, agreements, representations and conditions contained in this **Agreement**, **D/C Distribution** hereby immediately and irrevocably releases, acquits and forever discharges **Royal** from and for any and all **Claims** under or related to Policy No. AYA 898346. Furthermore, subject to Section 15 below, **D/C Distribution** releases, acquits and forever discharges **Royal** from and for any and all **Claims** under or related to any **Insurance Policies**, including without limitation, for any defense and/or indemnity costs.

B. **Royal** hereby releases and discharges **D/C Distribution** from and against any and all liabilities and obligations, including (without limitation) retrospective premium obligations of any kind whatsoever, known and unknown, under the **Insurance Policies**.

The foregoing Sections 6.A and 6.B constitute the "**Released Claims**," as stated herein.

C. With regard to all matters released per Section 6.A and 6.B of this **Agreement**, and subject to Section 14 of this **Agreement**, each of the Parties specifically reserves all of its rights to and interest in any and all **Claims** and/or defenses which have been or maybe asserted against other **Persons** not a party to this **Agreement**, including without limitation, any other insurers of **D/C Distribution**. Notwithstanding anything to the contrary contained elsewhere in this **Agreement**, the **Parties** reserve and do not waive their rights to enforce this **Agreement**.

D. The **Parties** intend that this **Agreement** shall provide to **Royal** total and final peace, satisfaction, and protection from and for any and all **Claims** by virtue of, arising from or connected with the **Insurance Policies** and any of the rights, obligations and/or coverages provided or alleged to be provided by or pursuant to the **Insurance Policies**, subject to Section 15 of this **Agreement**. Accordingly, upon payment by **Royal** of the **Settlement Amount** set forth in Section 3 of this **Agreement**, and subject to Section 15 of this **Agreement**, **D/C Distribution** surrenders, renounces, relinquishes, waives, releases and gives up any and all past, present and future **Claims** and rights (regardless of when such **Claims** or rights may accrue and whether such **Claims** or rights are currently known, unknown, foreseeable, unforeseeable, legal, equitable, matured, unmatured, liquidated or unliquidated to or by any **Party** or any other **Person**) to any defense, indemnity, reimbursement or other payments or services under or arising from the **Insurance Policies** and any of the rights, obligations and/or coverages provided or alleged to be provided by the **Insurance Policies**. **Royal** shall not have any duty or obligation of any kind under the **Insurance Policies**, subject to the terms of this **Agreement**, to provide any defense, pay or reimburse any defense fees or expenses, settlements, judgments, indemnity, insurance coverage or services or to make or reimburse any indemnity or defense payment under the **Insurance Policies** with respect to any **Claims**. **D/C Distribution**

acknowledges and agrees that this **Agreement** extinguishes without exception, ~~limitation or condition, other than as provided in Section 15 of this Agreement, the~~ **Insurance Policies** and all duties or obligations under the **Insurance Policies** with respect to every **Claim** of every kind and that the **Insurance Policies** shall for all purposes, other than as provided in Section 15 of this **Agreement**, be deemed terminated, discharged, released, extinguished and exhausted and that there shall not be any further **Claims**, rights, demands or obligations of any kind arising out of, connected with or related to the **Insurance Policies**.

7. **Section 1542 Waiver**

The **Parties** acknowledge they have been advised by their respective legal counsel and are familiar with the provisions of Section 1542 of the California Civil Code, which provides:

A general release does not extend to Claims which the creditor does not know or suspect to exist in his favor at the time of the executing of the release which if known by him must have materially affected his settlement with the debtor.

Within the scope of the releases set forth herein, and in furtherance of their express intent fully, forever, and irrevocably to release and discharge each other for all **Released Claims**, the **Parties** expressly waive any and all rights they may have under any contract, California Civil Code Section 1542 or other statute, code, regulation, ordinance, or the common law, which may limit or restrict the effect of a complete release as to the **Released Claims** that they do not know or suspect to exist in their favor at the time of the execution of this **Agreement**.

8. **Confidentiality**

The **Parties** agree that all matters relating to the terms, negotiation and implementation of this **Agreement** shall be confidential and are not to be disclosed except by order of court or agreement, in writing, of the **Parties**, and except that, provided recipients agree to keep such information otherwise confidential, the **Agreement** may be disclosed: (i) to reinsurers of **Royal**, directly or through intermediaries; (ii) to outside attorneys, auditors or accountants of any **Party** in the ordinary course of business; (iii) as required, to the Internal Revenue Service or other governmental authority which properly requires disclosure by a **Party**; and (iv) in a proceeding to enforce this **Agreement**. In the event a litigant, by way of document request, interrogatory, subpoena, or questioning at deposition or trial, attempts to compel disclosure of anything protected by this Section 8, the **Party** from whom disclosure is sought shall decline to provide the requested information on the ground that this **Agreement** prevents such disclosure. In the event such litigant seeks an Order from any court or governmental body to compel such disclosure, or in the event that a court, government official, or governmental body (other than the Internal Revenue Service) requests or requires disclosure of anything protected by this paragraph, the **Party** from whom disclosure is sought shall immediately give written notice by facsimile or hand-delivery to the other **Party**, and shall immediately provide copies of all notice papers, orders, requests or other documents in

order to allow each **Party** to take such protective steps as may be appropriate. Notice shall be made under this paragraph to the **Persons** identified in Section 16 of this **Agreement**.

This **Agreement** and other material protected by this Section 8 shall be deemed to fall within the protection afforded compromises and offers to compromise by Section 1152 of the California Evidence Code, Rule 408 of the Federal Rules of Evidence, and similar provisions of state or federal law.

9. **Exhaustion of Limits**

Royal disputes the existence of Policy No. AYA 898346 and the **Parties** dispute whether Policy No. AYA 898346 affords coverage to **D/C Distribution**. Nothing in this **Agreement** shall create any rights in any **Person** under the **Insurance Policies**. In exchange for the mutual promises and in compromise of the **Parties'** views on disputed issues, the **Parties** agree that: (i) Policy No. AYA 898346 contained an aggregate limit of liability of \$500,000; (ii) prior to the **Effective Date**, **Royal** had paid \$282,000 in indemnity payments on **D/C Distribution's** behalf for **Claims** tendered to **Royal** by **D/C Distribution** under Policy No. AYA 898346 pursuant to a reservation of rights; (iii) that \$218,000 of the Settlement Amount constitutes additional indemnity payments by **Royal** under Policy No. AYA 898346; and accordingly, (iv) upon receipt of the **Settlement Amount**, the aggregate limits of liability are and shall be deemed fully exhausted by payment. If any **Person** inquires regarding Policy No. AYA 898346, the **Parties** shall state that the aggregate limits of liability of Policy No. AYA 898346 have been exhausted. The **Parties** further acknowledge and agree that **Royal** had paid before the **Effective Date** \$1,000,000.00 towards **D/C Distribution's** defense costs pursuant to a reservation of rights and that \$1,400,000.00 of the Settlement Amount constitutes full payment of the balance of all defense fees, costs and expenses incurred through April 30, 2000.

10. **Non-Prejudice and Construction of Agreement**

This **Agreement** is intended to be and is a compromise between the **Parties**. This **Agreement** is the product of informed negotiations and involves compromises of the **Parties'** legal positions. Accordingly, this **Agreement** does not reflect upon the **Parties'** views as to rights and obligations with respect to matters or **Persons** outside the scope of this **Agreement**. Subject to Section 14 of this **Agreement**, this **Agreement** is without prejudice to positions taken by **Royal** or that may be taken by **Royal** with regard to other insureds or alleged insureds, their alleged successors, insurers, or reinsurers, and without prejudice with regard to positions taken by **D/C Distribution** with regard to other insurers.

This **Agreement** is the jointly drafted product of arms-length negotiations between the **Parties** with the benefit of advice from counsel, and the **Parties** agree that this **Agreement** shall not be construed against either **Party**. Upon breach by one of the **Parties**, the other **Party** may institute a proceeding to enforce this **Agreement**, including pursuant to California Code of Civil Procedure Section 664.6. This **Agreement** shall be in all respects interpreted, enforced and governed by California law.

This **Agreement**, its negotiation or performance shall not be construed or used in any manner as an admission by **Royal** as to the existence of, or coverage under, the **Insurance**

Policies; or as evidence of any alleged waiver, modification or retraction of the positions of the **Parties** with respect to the interpretation and application of the **Insurance Policies**; or as evidence of any rights or duties under the **Insurance Policies**. This Agreement shall not be admissible in any proceeding for any purpose proscribed in this Section 10.

11. Integration

This **Agreement** constitutes the entire **Agreement** between **Royal** and **D/C Distribution** with respect to the subject matter hereof, and supersedes all discussions, agreements and understandings, both written and oral, among the **Parties** with respect thereto.

12. No Modification

No change or modification of this **Agreement** shall be valid unless it is made in writing and signed by the **Parties**.

13. Execution

This **Agreement** may be executed in multiple counterparts, each of which, when so executed and delivered shall be an original, but such counterparts shall together constitute one and the same instrument.

14. Claims Against Persons Not Parties To This Agreement

Except as provided in this Agreement, including without limitation Section 8, **Royal** agrees that it will assert no **Claim** or action for contribution, reimbursement, indemnity, subrogation, including an action for attorneys' fees, costs, or any other sums against **D/C Distribution** or any other **Person** against whom **D/C Distribution** has or may have **Claims** arising out of the matters settled under this **Agreement**. Notwithstanding the foregoing, **Royal** will have the right to assert **Claims**, and/or defend against **Claims**, with respect to any other insurer that first files an action against **Royal** relating to the matters settled under this **Agreement**. This Section 14 does not and is not intended to be applicable to **Royal's Claims**, if any, against its reinsurers.

15. Representation and Warranty Regarding Existence of Additional Policies

After a reasonable and diligent inquiry, **Royal** represents and warrants that it has been unable to locate any actual documentation of any general liability policies issued by **Royal** to Moran Supply or under which **Royal** would cover **D/C Distribution** as successor to Moran Supply. After a reasonable and diligent inquiry, **D/C Distribution** represents and warrants that it has been unable to locate any actual documentation of additional general liability policies issued by **Royal** to Moran Supply or under which **Royal** would cover **D/C Distribution** as successor to Moran Supply other than Policy No. AYA 898346.

D/C Distribution asserts that it has the legal right in and to the **Insurance Policies**.

If any additional general liability policies issued by **Royal** to Moran Supply or which cover **D/C Distribution** as successor to Moran Supply are discovered after the **Effective Date**, **D/C Distribution** may pursue a judicial declaration that any such policies were known,

or should have reasonably been known, to **Royal**. If a judicial determination is subsequently made that such policies actually existed and that **Royal** knew or should have known of the existence of such policies, other than Policy No. AYA 898346, then **D/C Distribution** shall be entitled to seek coverage with respect to **Claims** for unreimbursed defense and indemnity costs incurred after April 1, 2005 under any such policies. The **Parties** specifically agree that the releases of **D/C Distribution** in this **Agreement** shall be null and void as to all such policies, other than Policy No. AYA 898346, except that the releases shall not be null and void as to **Claims** regarding any defense and indemnity costs incurred on or before April 1, 2005 under any **Insurance Policies**, whether or not discovered after the **Effective Date**. In no event shall the complete releases as to Policy No. AYA 898346 and as to defense and/or indemnity costs incurred on or before April 1, 2005 be impacted in any manner, as such releases shall remain intact forever.

16. Notices

Unless another **Person** is designated, in writing, for receipt of notices hereunder, notices to the respective **Parties** shall be sent to the following **Persons**:

For D/C Distribution:	Lorenzo E. Bracy c/o D/C Distribution, LLC 900 North Michigan Avenue Chicago, Illinois 60601-1975 Telephone No. (312) 915-1938
With a copy to:	V. Thomas Meador III, Esq. Morgan, Lewis & Bockius, LLP 300 South Grand Avenue, 22 nd Floor Los Angeles, CA 90071-3132 Telephone No. (213) 612-2510
For Royal:	Richard Ringley c/o Arrowpoint Capital Environmental Claims 3600 Arco Corporate Drive Charlotte, NC 28273 Telephone No. (704) 522-2838
With a copy to:	Susan J. Field, Esq. Musick Peeler & Garrett LLP One Wilshire Boulevard, 20th Floor Los Angeles, California 90017 Telephone No. (213) 629-7600

18. Litigation Costs

The **Parties** shall be responsible for their own attorneys' fees, costs and any other expenses incurred in or associated with the Coverage Litigation and/or **Claims** for coverage under the **Insurance Policies**.

19. Severability

If any portion of this **Agreement** or any portion of a provision of this **Agreement** is declared null and void or unenforceable by any court or tribunal having jurisdiction, then such provision or portion of a provision shall be considered separate and apart from the remainder of this **Agreement** which shall remain in full force and effect.

20. Representations

The **Parties** expressly warrant and represent that the execution of this **Agreement** is fully authorized by each of them; that the **Person** executing this **Agreement** has the necessary and appropriate authority to do so; that there are no pending agreements, transactions, or negotiations to which any of them are a party that would render this **Agreement** or any part thereof contingent, void, or unenforceable; that no authorization, consent or approval of any governmental entity is required to make this **Agreement** valid and binding upon them; that this **Agreement** is valid and binding upon and inure to the benefit of each of the **Parties**; that no **Claim** or loss being paid or settled hereunder has been previously or will be assigned, sold or transferred to any other **Person**; that they will not in any way voluntarily assist another **Person** in the establishment or pursuit of any **Claim** against a **Party** to this **Agreement**; that they have read this **Agreement** and know the contents hereof; and that they sign this **Agreement** of their own free act.

IN WITNESS WHEREOF, the **Parties** have executed this **Agreement** by their duly authorized representatives on the page or pages that follow.

D/C DISTRIBUTION, LLC

By: 

Print: Resident Gary Nickle

Date: 6/11/07

ARROWPOINT CAPITAL CORP.

By: _____

Print: _____

Date: _____

18. Litigation Costs

The **Parties** shall be responsible for their own attorneys' fees, costs and any other expenses incurred in or associated with the Coverage Litigation and/or **Claims** for coverage under the **Insurance Policies**.

19. Severability

If any portion of this **Agreement** or any portion of a provision of this **Agreement** is declared null and void or unenforceable by any court or tribunal having jurisdiction, then such provision or portion of a provision shall be considered separate and apart from the remainder of this **Agreement** which shall remain in full force and effect.

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The **Parties** expressly warrant and represent that the execution of this **Agreement** is fully authorized by each of them; that the **Person** executing this **Agreement** has the necessary and appropriate authority to do so; that there are no pending agreements, transactions, or negotiations to which any of them are a party that would render this **Agreement** or any part thereof contingent, void, or unenforceable; that no authorization, consent or approval of any governmental entity is required to make this **Agreement** valid and binding upon them; that this **Agreement** is valid and binding upon and inure to the benefit of each of the **Parties**; that no **Claim** or loss being paid or settled hereunder has been previously or will be assigned, sold or transferred to any other **Person**; that they will not in any way voluntarily assist another **Person** in the establishment or pursuit of any **Claim** against a **Party** to this **Agreement**; that they have read this **Agreement** and know the contents hereof; and that they sign this **Agreement** of their own free act.

IN WITNESS WHEREOF, the **Parties** have executed this **Agreement** by their duly authorized representatives on the page or pages that follow.

D/C DISTRIBUTION, LLC

By: _____

Print: _____

Date: _____

ARROWPOINT CAPITAL CORP.

By: Richard T. Ringley

Print: Richard T. Ringley

Date: June 8, 2007

Estra

KAANAPALI LAND, LLC
900 N. Michigan Avenue
Suite 1400
Chicago, Illinois 60611

June 29, 2007

D/C Distribution, LLC
900 North Michigan Avenue
Chicago, Illinois 60611

Attention: Gary Nickele, President

Re: Pledge and Security Agreement (First Priority/Insurance Policies and Proceeds), dated August 18, 2006 (the "Security Agreement") made by D/C Distribution, LLC, an Illinois limited liability company ("D/C") in favor of Kaanapali Land, LLC, a Delaware limited liability company ("Kaanapali Land").

Dear Mr. Nickele:


This letter is written in furtherance of the matters raised and discussed in, among other things, Kaanapali Land's correspondence dated June 7, 2007. Kaanapali Land hereby acknowledges receipt of the settlement proceeds of the Coverage Litigation and the settlement agreement attached hereto as Exhibit A that D/C caused to be directed to Kaanapali Land under the terms of Section L of the Security Agreement.

Very truly yours,


Gallen Hull
Senior Vice President

ACKNOWLEDGED, AGREED
and RECEIVED:

D/C DISTRIBUTION, LLC

By: 
Gary Nickele, President